

Message Text

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ACTION IO-14

INFO OCT-01 EUR-12 IO-14 ISO-00 OIC-02 EB-08 AID-05
AF-10 ARA-14 EA-12 NEA-10 STR-05 COME-00 LAB-04
TRSE-00 OES-07 ABF-01 OMB-01 CIAE-00 INR-07
NSAE-00 L-03 SS-15 SP-02 PA-02 PRS-01 USIA-15
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TO SECSTATE WASHDC 4447

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EO 11652: N/A

TAGS: OCON, EAID, EIND, UNIDO

SUBJ: NINTH SESSION, UNIDO PERMANENT COMMITTEE

(PC/IX) AGENDA ITEM 5, PROGRAM OF INDUSTRIAL DEVELOPMENT

FUND FOR 1978.

1. SUMMARY: G-77 DEMONSTRATED GREATER INTEREST THIS ITEM
THAN ANY OTHER ON AGENDA OF PC-IX; THEY WERE HIGHLY
CRITICAL OF LACK OF CONTRIBUTIONS BY MAJOR POTENTIAL DONORS
TO IDF AND EQUALLY SCATHING IN REMARKS DIRECTED TO
CONTRIBUTIONS IN NON-CONVERTIBLE CURRENCIES BY SOCIALIST
BLOC. ATTEMPT TO ARRIVE AT CONSENSUS LANGUAGE TO DESCRIBE
CONCLUSION OF DEBATE BROUGHT LENGTHY WRANGLING IN WORKING
GROUP AND FINAL PLENARY SESSION, RESOLVED ONLY BY RESORT
TO PLENARY VOTE TO OVERRULE SOCIALIST BLOC OBJECTIONS.
END SUMMARY.

2. BECAUSE UNIDO'S NEW INDUSTRIAL DEVELOPMENT FUND (IDF)
WILL COME INTO DE FACTO EXISTENCE ONLY ON JAN. 1, 1978
(BEGINNING OF NEW UN FISCAL YEAR), LAST SESSION OF UNIDO
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INDUSTRIAL DEVELOPMENT BOARD (MAY, 1977) CONFERRED
AUTHORITY ON PC/IX TO CONSIDER AND APPROVE IDF PROGRAM FOR
1978 RATHER THAN DELAY APPROVAL UNTIL NEXT SESSION OF
BOARD. PROPOSED 1978 PROGRAM CONTAINED DOCUMENT
ID/B/C.3/60, WAS SUFFICIENTLY BOARD AND FLEXIBLE TO ALLOW
SECRETARIAT CONSIDERABLE DISCRETION IN EXECUTION OF FUND;
IN THIS INSTANCE, CONFERRAL OF SUCH DISCRETION WAS ACCEPT-

TED BY MEMBERS OF PC AS INEVITABLE DURING SHAKE-DOWN PERIOD. ADDITIONAL DOCUMENT, ID/B/C.3/60 ADD 1, GIVING ADDITIONAL DETAILS OF FUNDING FOR 1978 PROGRAM BASED ON RESULTS OF OCTOBER 28 IDF PLEDGING CONFERENCE, WAS DISTRIBUTED DURING COURSE OF PC-IX. THIS DOCUMENT, FRANKLY CRITICAL OF LIMITED USES OF NON-CONVERTIBLE CURRENCY AND TIED CONTRIBUTIONS, GAVE RISE TO SHARP DEBATE.

3. G-77, LED BY PHILIPPINES (SIAZON), INDONESIA (SAUTHOSO), NIGERIA (JIMETA) AND MALAYSIA (GEH) WERE HIGHLY CRITICAL OF WHAT THEY FELT TO BE MEAGER CONTRIBUTIONS TO IDF ON PART OF INDUSTRIALIZED COUNTRIES. POINTING TO "DESIRABLE LEVEL" ANNUAL FIGURE FOR IDF OF DOLS 50 MILLION SET OUT AT CONCLUSION OF PARIS CIED MINISTERIAL (AND REPEATED IN DECISION OF ELEVENTH SESSION OF UNIDO BOARD), G-77 ACCUSED MAJOR NEGOTIATORS AT CIEC OF NOT FULFILLING THEIR 'COMMITMENT' TO CONTRIBUTE TO IDF. SIAZON NOTED THAT ONLY FOUR OF TEN MAJOR CONTRIBUTORS TO UNIDO ASSESSED BUDGET HAD CONTRIBUTED TO IDF. OTHER G-77 SPEAKERS HELD THAT LACK OF CONTRIBUTIONS TO IDF BY DEVELOPED COUNTRIES SHOWED THEIR TRUE ATTITUDE TOWARD THE INDUSTRIALIZATION OF THE DEVELOPING COUNTRIES; SUCH AN ATTITUDE MIGHT HAVE "SERIOUS REPERCUSSIONS" ON RELATED BETWEEN DC'S AND LDC'S. SOCIALIST BLOC WAS NOT SPARED G-77 ATTENTION; BASED ON CRITICISM OF NON-CONVERTIBLE CURRENCY CONTRIBUTIONS IN DOCUMENT ADD. 1, G-77, AGAIN SPURRED BY SIAZON, LASHED OUT AT LIMITED USES OF THESE UNCLASSIFIED

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CONTRIBUTIONS AND HIGH COST OF THEIR ADMINISTRATION. G-77 POINTED TO EXAMPLE OF INDIA, WHICH HAD CONTRIBUTED DOLS 800 THOUSAND TO IDF IN CONVERTIBLE CURRENCY, A CONSIDERABLE PROPORTION OF WHICH, IT APPEARED, WOULD HAVE TO BE USED TO COVER OVERHEAD COSTS OF SOCIALIST BLOC CONTRIBUTIONS. G-77 URGED SOCIALIST BLOC CONTRIBUTORS TO ALLOW THEIR CONTRIBUTIONS BE USED FOR PURCHASE OF EQUIPMENT AND USEFUL SERVICES AND TO PROVIDE SUFFICIENT HARD CURRENCIES TO COVER OVERHEAD COSTS.

4. USSR (EROFEEV), REPLYING FOR SOCIALIST BLOC, REJECTED CRITICISMS CONTAINED IN DOCUMENT ADD. 1. HE HELD THAT UNIDO HAD BEEN SUCCESSFUL IN PAST IN USING RUBLE AND OTHER BLOC CURRENCY CONTRIBUTIONS AND POINTED TO VOLUNTARY NATURE OF FUND, WHICH LEAVES CHOICE OF CURRENCY TO DONOR. HE ASSAILED "DESIRABLE LEVEL" OF DOLS 50 MILLION AS COMING FROM CIEC MEETING, TO WHICH BLOC NOT INVITED AND WHOSE DECISIONS BLOC DID NOT RECOGNIZE; FURTHER, USSR DID NOT TAKE PART IN UNIDO BOARD DECISION ON IDF COMMITMENT TO DOLS 50 MILLION LEVEL WAS THEREFORE LIMITED TO PARTICIPANTS THOSE DECISIONS. EROFEEV DID IMPLY, HOWEVER, THAT RUBLE CONTRIBUTION COULD BE USED FOR EQUIPMENT

PURCHASES, A POINT THAT G-77 QUICKLY PICKED UP AND TRIED UNSUCCESSFULLY TO EXPAND INTO A COMMITMENT. OTHER SOCIALIST BLOC MEMBERS ECHOED USSR STATEMENT, EXCEPT FOR HUNGARY (IVAN), WHICH POINTED OUT THAT UP TO 20 PERCENT OF HUNGARIAN PLEDGE COULD BE REDEEMED IN CONVERTIBLE CURRENCY.

5. WESTERN COUNTRIES, INCLUDING IDF CONTRIBUTORS SUCH AS FRG (HOFFMANN), FRANCE (SALA) AND SWITZERLAND (MANZ), POINTED TO UNDP AS CENTRAL SOURCE OF UN DEVELOPMENT FINANCING AND AS PROVIDING BEST GUARANTEE FOR EQUITABLE DISTRIBUTION OF AVAILABLE RESOURCES. SEVERAL POINTED OUT THAT, ALTHOUGH THEIR CONTRIBUTIONS WERE MADE IN FORM OF SPECIAL PURPOSES FUNDS, THEIR USES WOULD BE FLEXIBLE IN UNCLASSIFIED

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PRACTICE. US (LEARY), DREW ON UNEC D-567, POINTING OUT INCREASED US CONTRIBUTION TO UNDP, NOTING THAT UNDP IS THE MAJOR SOURCE OF UNIDO PROJECT FUNDING AND THAT INCREASED US CONTRIBUTION HAD ASSISTED UNDP OVERCOME ITS FINANCIAL CRISIS. US STRESSED THAT IDF OPERATIONS SHOULD BE CLOSELY COORDINATED WITH THOSE OF UNDP.

6. EX DIR KHANE CONCLUDED PLENARY DISCUSSION THIS ITEM WITH CONCILIATORY STATEMENT ON USE OF NON-CONVERTIBLE CURRENCIES IN ORDER FORESTALL FURTHER ACRIMONIOUS DEBATE. SUBSEQUENTLY, WORKING GROUP WAS FORMED TO DRAFT CONCLUSIONS FOR REPORT ON DIFFICULT ISSUES, INCLUDING IDF. AFTER EXTENDED NEGOTIATIONS, G-77 AND WESTERN GROUP REACHED CONSENSUS, BUT SOCIALIST BLOC DEMURRED. ISSUE WAS FINALLY DECIDED BY VOTE IN PLENARY, OVERRULING BLOC OBJECTIONS.

7. FINAL TEXT OF CONSENSUS LANGUAGE FOLLOWS: NOTING THAT THE CONFERENCE ON INTERNATIONAL ECONOMIC CO-OPERATION AGREED ON A DESIRABLE ANNUAL FUNDING LEVEL FOR THE UNIDF, AND RECALLING THE RECOMMENDATION OF THE INDUSTRIAL DEVELOPMENT BOARD AT ITS ELEVENTH SESSION ON THE SAME, THE PERMANENT COMMITTEE NOTES WITH REGRET THAT THE PRESENT LEVEL OF FUNDS IS FAR BELOW THE DESIRABLE LEVEL, AND FULLY AWARE OF THE CENTRAL FUNDING ROLE OF UNDP, URGES MEMBER STATES AND OTHER POTENTIAL DONORS WHICH HAVE NOT PLEDGED TO UNIDF TO CONSIDER DOING SO AS SOON AS POSSIBLE. THE COMMITTEE FURTHER APPEALS TO ALL STATES AND OTHER POTENTIAL DONORS TO CONTRIBUTE GENEROUSLY TO THE UNIDF, MAINTAINING RESPECT TO THEIR POSSIBILITIES AND VIEWS. THE PERMANENT COMMITTEE TAKES NOTE OF THE APPEALS EXPRESSED BY THE CONVERTIBLE FUNDS AND CONTRIBUTIONS FOR SPECIAL-PURPOSE PROGRAMMES. GARLAND UNCLASSIFIED

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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
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Disposition Comment:
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Disposition Event:
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